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CERRO 1969 Annual Report

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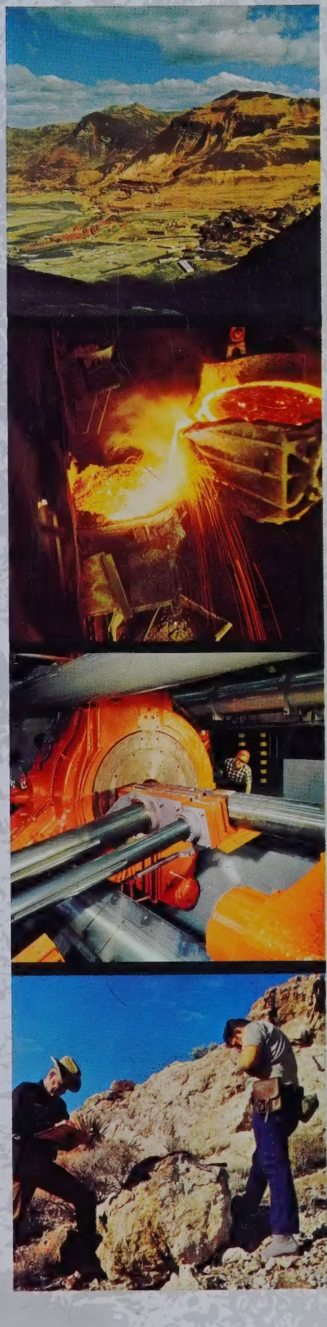


The Cover

Cerro's origin as a miner of nonferrous ores is reflected in the background design of men laboring beneath the earth's surface. The Corporation's broadened scope, achieved largely in the last fifteen years, is illustrated by photographs showing its four principal operating activities.

Mining The Morococha mining property (elev. 14,850 feet), one of six metal mines operated by Cerro in Peru, is located in a spectacular lake-studded range of towering mountains. The underground mine at Morococha, worked by Cerro since 1913, produces copper, lead, zinc, silver and tungsten.

Metal Production Molten copper is shown being poured at Cerro's metallurgical works at La Oroya, Peru, known world-wide for its complex smelting and refining facilities, which produce a variety of refined nonferrous metals and chemical products.

Manufacturing This close-up view of Cerro Copper & Brass Company Division's largest brass extrusion press shows the ram about to apply 5,500 tons of force to push a brass billet through a die to form brass rod. The huge press, one of the largest and most automated of its type, is located at the Bellefonte (Pa.) Works. Cerro's manufacturing divisions fabricate both electrical wire and cable and brass mill products.

Exploration During the past few years, Cerro has greatly expanded its exploration activities, particularly in North America. Here Cerro geologists examine rock formations and collect soil and rock samples to determine mineralization in a remote area of Arizona.

Products of Cerro Divisions and Subsidiaries*

Nonferrous and Precious Metals

Copper—Electrolytic: Cathodes, Wirebars and Ingot Bars; Deoxidized Billets; Blister
Lead—Electrolytic
Zinc—Electrolytic: Die Casting Grade; Special High Grade; Dust
Silver—Refined; Sterling Silver Alloy
Bismuth—Refined; Alloys (Low Melting Temperature)
Cadmium • Antimony; Antimony-Lead Alloy
Selenium • Tellurium • Indium • Gold

Minerals and Chemical Products

Zinc Concentrates • Lead Concentrates
Tungsten Concentrates
Copper Sulfate • Zinc Sulfate • Sulfuric Acid
Arsenic Trioxide

Copper and Brass Mill Products

Copper and Brass Tube and Pipe
Brass Rod, Bars and Shapes
Brass, Bronze, Copper and Aluminum Forgings
Brass Pressure Die Castings • Machined Parts
Bronze Welding Rods • Brass Wire • Silver Wire

Electrical Wire, Cable and Conduit**

Hot-Rolled Copper Rod • Bare Copper Wire
Building Wire • Appliance and Fixture Wire
Service Entrance and Service Drop Cable
Power and Lighting Cable • Flexible Cords
Flexible Printed Circuits • Flat Conductor Cable
Instrumentation, Computer and Missile Cable
Mining and Control Cable • Switchboard Cable
Marine and Shipboard Cable
Aircraft and Coaxial Cable
Armored and Lead-Sheathed Cable
Non-Metallic Sheathed Cable
Metal Sheathed Cable/Conduit Systems
Flexible Steel Conduit • Thin-Wall Conduit ("EMT")
Galvanized Steel Strip

**Affiliated companies in which Cerro holds an interest produce Portland Cement, high-grade iron ore pellets and certain other products.*

***A subsidiary in Peru produces certain of these products and telephone exchange cable, telephone drop wire and magnet wire.*

CERRO CORPORATION

1969 Annual Report

Highlights

	1969	1968
Total Sales	$477,234,000	$418,975,000
Depreciation, depletion and amortization	$ 13,766,000	$ 14,120,000
U.S. and Peru income taxes	$ 18,200,000	$ 27,628,000
Net income:		
Amount	$ 41,005,000	$ 32,389,000
Per share of Common Stock*	$5.04	$4.01
Equity in undistributed earnings of affiliated companies [not included in above]:		
Amount	$ 920,000	$ 359,000
Per share of Common Stock*	$.11	$.04
Dividends paid per share of Common Stock:		
Cash dividends	$1.60	$1.60
Stock dividends	5%	5%
Capital expenditures and investments	$ 43,420,000	$ 32,799,000
At Year End:		
Working capital	$140,913,000	$116,435,000
Long-term debt	$ 61,987,000	$ 40,577,000
Stockholders' equity	$357,368,000	$328,027,000
Common shares outstanding	7,758,223	7,362,128
Number of stockholders of record	23,048	22,648
Number of employees	20,400	20,700

*Based on average number of shares outstanding during each year (1969—8,134,011 shares; 1968—8,079,162 shares), adjusted for stock dividends, including the 5% stock dividend payable on March 12 to stockholders of record on January 12, 1970.

Contents

Annual Stockholders' Meeting

The annual meeting of stockholders of Cerro Corporation will be held in the Jade Room of the Waldorf-Astoria Hotel, Park Avenue at Fiftieth Street, New York, N.Y., on Tuesday, May 5, 1970, at 10:30 A.M. Daylight Saving Time. A formal notice of the meeting, together with a proxy statement and form of proxy, will be mailed to each stockholder on or about April 3, 1970, at which time management will request proxies.

To the Stockholders In 1969, for the twelfth consecutive year, sales of Cerro Corporation and its subsidiaries reached a new high. Consolidated sales for the year totaled $477 million, up 14% over 1968.

Consolidated earnings were $41.0 million in 1969, second best in Cerro's history, up 27% from $32.4 million in 1968. The 1969 net income equals $5.29 a share on the average number of shares outstanding during the year, compared with $4.21 a share, as adjusted, in 1968. After further adjustment to reflect the 1970 stock dividend, mentioned below, 1969 earnings were equal to $5.04 per share, compared with $4.01 per share in 1968.

In addition to consolidated net income, Cerro's equity in undistributed earnings of affiliated companies in 1969 was $0.9 million, or $0.12 per share, compared with $0.4 million, or $0.05 per share, as adjusted, in 1968. After further adjustment for the 1970 stock dividend, such equity was $0.11 a share in 1969, and $0.04 a share in 1968.

Improved 1969 earnings resulted from higher prices realized from the sale of primary metals (except silver) produced in Peru and increased dividends from Southern Peru Copper Corporation in which Cerro holds a 22¼% interest. In addition, for reasons mentioned on page 13, Cerro's tax provision in 1969 was less by a significant amount than in 1968. Earnings from Cerro's copper fabricating operations in the United States were lower in 1969 than in 1968.

In 1969, as in 1968, cash dividends of $1.60 per share were paid, together with a 5% stock dividend. Continuing the policy of capitalizing a portion of earnings reinvested in the business, the Board of Directors on December 2, 1969, declared a stock dividend, also at 5%, for distribution on March 12 to stockholders of record on January 12, 1970.

The year 1969 was the first full year in office of the Military Government which assumed power in Peru in October 1968. Relations between representatives of Cerro de Pasco Corporation ("Cerro-Peru"), Cerro's metal-producing subsidiary in Peru, and government representatives in that country were cordial at all levels throughout the year.

As evidenced by satisfactory production of nonferrous and precious metals, reduced somewhat from 1968 output by four weeks of strikes last year, operations of Cerro-Peru's six metal mines and its La Oroya metallurgical works throughout 1969 were—and continue to be—normal. Output in 1969 of copper, lead and silver was down some 10%, and production of refined zinc and zinc concentrates produced for export was 6% below the 1968 level, because of the work stoppages. However, labor productivity in the year past was equal to that of 1968.

Favorable developments in the Peruvian economy in 1969 included improvement in the balance of foreign trade and a significant increase in the foreign exchange reserves. The Peruvian Government was successful in reducing the rate of inflation and action was taken to refinance the nation's foreign debt. However, the extensive scope of the Government's programs for restructuring the country's economy and the rapidity of their introduction and implementation contributed to the prevailing uncertainty in the business community, restrained forward business planning, and tended to reduce the pace of internal business activity.

New mining laws were promulgated in Peru in 1969, mentioned on page 5, and the Government has announced its intention of replacing the Mining Code, which has been in force since 1950, with further new laws to revise principally the framework for placing into production undeveloped mineral properties. The mining industry is cooperating in advising the Government on various aspects of these proposed laws, but their final form remains to be determined.

In implementing its social and economic programs, the Peruvian Government continues to reaffirm that it is being guided by its desire to encourage business investment, particularly foreign investment, which is so essential to the country's future.

On December 19, 1969, the Government of Peru and Southern Peru Copper Corporation, after extended negotiations, signed a contract for development of the Cuajone ore body, one of two undeveloped properties on which Southern Peru holds concessions. More comment on this

development and on the successful operations of the Toquepala mine, mill and smelter of Southern Peru in 1969, their tenth year of production, appears on page 10.

In Chile, progress was on target at year-end 1969 for completion of the Rio Blanco copper mine and related facilities early in 1971. The annual rate of production initially scheduled is 135,000,000 pounds of copper contained in concentrates. Compañía Minera Andina S.A., in which Cerro has a 70% interest, expects to finish the project within the $157 million budgeted for construction, capitalized interest and working capital.

Here in the United States, Cerro's manufacturing divisions shipped a record volume of products in 1969, as several new lines of wire and cable and brass mill products were successfully marketed. New equipment installed in a continuing program of plant improvement contributed to the increased production and resulted in greater efficiency in manufacturing operations. Cerro shared in a small way in the success of the Apollo lunar landings since specialty communications cable produced by the Corporation was used extensively in the command ship and the lunar excursion module on both of the 1969 missions.

Operating results of Cerro's manufacturing divisions varied according to product lines. Gains were recorded for some, while the outcome for others, such as copper water tube and pipe and electrical wire, cable and conduit, was unsatisfactory. In the latter case, the selling prices of the fabricated products, as competitively set, did not permit full recovery of the cost of the contained copper, most of which was acquired at the prevailing relatively high world market prices and not at the lower U.S. primary producers' prices.

Since exploration for new mineral deposits must go on unceasingly if a mining company is to assure its future, Cerro continued to expand its exploration activities in the United States, Canada and in other parts of the world last year under a program accelerated in 1968.

An orderly succession in the management of Cerro has been assured by the appointment of C. Gordon Murphy, age 45, as Executive Vice President of the Corporation, effective February 16, 1970. Mr. Murphy was formerly a corporate vice president of Litton Industries, Inc., and President of Litton International Development Corporation. The Board of Directors of Cerro, under the terms of a contract with Mr. Murphy which it approved, proposes to elect him the President and Chief Executive Officer of Cerro before June 16, 1970. Mr. Murphy was elected a director on February 24, 1970.

In conjunction with the contemplated appointment of Mr. Murphy as President and Chief Executive Officer, the Board of Directors has expressed its intention to name me Chairman of the Board, and to designate Charles B. Harding, presently Chairman, the Honorary Chairman of the Board of the Corporation.

Mr. Murphy brings to Cerro a record of successful business development and experience in managing highly technical and complex manufacturing programs. He is expected to be active in the effort to carry out plans to broaden Cerro's product base.

Successful operations reflected in the 1969 outcome could not have been achieved without the combined efforts of the men and women of Cerro. For their dedication, and for the support of Cerro's stockholders, on behalf of its directors and officers, I express appreciation. This dedication and support will help Cerro to continue to serve its owners well in the decade of the 1970's.

Robert P. Koenig

President

New York, N.Y., February 27, 1970

Review of OPERATIONS

Mining and Metal Production

In 1969, Cerro-Peru's metal production was affected by a one-week strike of daily paid workers at the Cobriza mine and La Oroya metallurgical works in April and a three-week strike of the same workers in September. These strikes caused the loss of a still greater number of days of production because of the time required to shut down and start up the complex metallurgical operations. Because of these work stoppages, output of most refined metals and concentrates in 1969 was down about 10% below strike-free 1968. Gold production increased significantly and tungsten output doubled last year over 1968.

A table comparing metal production in 1969 with that of 1968 appears below.

Cerro-Peru's Production°

	1969		1968	
	Total Production	% From Purchased Ores	Total Production	% From Purchased Ores
Copper	105,732,000 pounds*	37	117,308,000 pounds*	39
Lead	170,946,000 pounds	35	190,361,000 pounds	34
Zinc (Refined)	137,479,000 pounds	1	145,226,000 pounds	4
Zinc (in Concentrates)	163,935,000 pounds**	0	177,870,000 pounds**	0
Silver	18,532,000 ounces*	49	20,371,000 ounces*	47
Gold	52,000 ounces*	78	43,000 ounces*	69
Tungsten Trioxide (in Concentrates)	1,210,000 pounds**	0	648,000 pounds**	0
Bismuth	1,437,000 pounds	62	1,745,000 pounds	49

° Principal products only.
* Includes metal content of blister produced for export.
** Produced for export sale for refining by others.

Innovations and improved techniques were adopted in 1969 to reduce operating costs of Cerro-Peru's mining operations. At the Cerro de Pasco mine, a fully automated hoist system was installed last year in the recently completed 1850-foot New Lourdes shaft. All lead-zinc ore mined underground is hoisted via the new shaft, sunk to permit expansion of the McCune open pit into the area occupied by the old shaft and related surface facilities.

High-productivity trackless mining methods, introduced at Cobriza, were newly applied in sections of the San Cristóbal mine in connection with mine development work. The system permits extraction of ore without shaft-sinking.

The twin-adit Graton Tunnel project, begun in 1961 to drain and ventilate the lower levels of the Casapalca mine, was completed in 1969, with the targeted distance of 11.36 kilometers reached in November. Subsequent drilling has induced water flows through the tunnels which have thus far lowered the water level in the previously flooded section by more than 300 feet.

Exploratory drilling from 1966 to 1968 from the surface through several working levels of the Morococha mine outlined an area estimated to contain a substantial quantity of low-grade sulphide copper mineralization. The mineralization may enlarge considerably the mine's potential. However, since the drilling was carried out on wide (120 meter) spacing, additional work must be done to determine whether this mineralization can be classified as an ore reserve. In 1970, Cerro-Peru has commenced additional drilling of some 56 holes at closer spacing to verify continuation of the mineralization and some 34 holes to investigate the lateral extension of the known mineralized zone. This project is expected to take 30 months to complete at a cost of about $2.5 million.

Concentrators serving the Cerro de Pasco, Cobriza and Morococha mines were improved in 1969, resulting in greater efficiency and higher metal recoveries. The most notable advancement occurred at Cobriza, where copper content of concentrates was increased by 14%, with a corresponding drop in unit costs of ore treatment.

Tungsten concentrate production from San Cristóbal and Morococha mine ores increased from 454 tons[1] in 1968 to 85[illegible] tons in 1969, grading over 70% tungsten trioxide. Tungsten currently sells at almost $90 per long-ton unit (22.4 pounds) so that a short ton of 70% concentrate has a market value of over $5,600.

At Cerro-Peru's La Oroya metallurgical works, betterment in the electrical rectification system provide greater flexibility in supplying power to the copper and lead refineries.

Modern ship-loading techniques, instituted several years ago at Cerro-Peru's depot in Callao, were improved in 1969

[1] All references in this report to "tons" are to "short tons" of 2,000 pounds each

substantially reducing the cost of handling zinc concentrates for export.

Cerro-Peru employees at the port of Callao were on strike for 15 days in April 1969. One-year wage agreements with all daily paid workers of the Operations Division, expiring July 25, 1970, were concluded and, on November 25, 1969, an agreement, ending in May 1971, was reached with monthly paid employees at Callao.

Peruvian Laws Affecting Unworked Mining Properties The Peruvian Government in the latter part of 1969 adopted certain laws relating to unworked mining properties, including those held under concession by Cerro-Peru. However, the concessions embracing Cerro-Peru's six operating metal mines—Cerro de Pasco, Morococha, Casapalca, San Cristóbal, Yauricocha and Cobriza—are unaffected by these laws.

Cerro-Peru has invested in exploration on a number of undeveloped properties. However, further work is required to determine in each case whether a commercial ore body exists. If so, feasibility studies must be completed and tax and other incentives obtained by agreement with the Peruvian Government before the properties can be developed.

On September 2, 1969, Peru promulgated Decree-Law No. 17,792. The law applies, essentially, to all "exploitation" concessions held in that status since June 18, 1965. Any of these concessions not already producing a minimum of one-sixtieth of the ore reserves annually became subject to the requirements of the new law. The concessionnaire was required to submit, before December 31, 1969, a Calendar of Operations designed to attain the minimum annual production no later than April 1, 1975. Among other things, the law provides for automatic expiration of any concession if no calendar is submitted for it, if work is not carried out on schedule, or if minimal annual production is not achieved in the time allowed. Exceptions are permitted under certain circumstances.

To protect its concessions, Cerro-Peru submitted to the Government of Peru the necessary Calendars of Operations for four properties: Antamina, Chalcobamba, Ferrobamba and Tintaya.

At Antamina, 100 miles northwest of the municipality of Cerro de Pasco, earlier work has resulted in the discovery of a deposit of sulphide mineralization[2] for which 5,800,000 tons, averaging 2.6% copper and 1.3% zinc and 0.75 ounce of silver per ton, are estimated on the basis of underground workings and core drilling. The property offers the potential for significant tonnages of additional copper mineralization.

The Chalcobamba property is southwest of Cuzco in southern Peru. Core drilling and surface mapping have indicated 27,800,000 tons of sulphide mineralization averaging 2.1% copper.

Ferrobamba, where no drilling has taken place, is adjacent to Chalcobamba, and has a potential, based on samplings of old workings and outcrops, of 1,750,000 tons of mineralization, with an approximate grade of 3.4% copper, and 0.7 ounce of silver per ton.

[2] Mineralization, as used here, is not intended to connote "ore reserves" which, by definition, implies that the deposit can be developed and mined economically.

At Tintaya, in southern Peru, 50 miles southeast of Chalcobamba-Ferrobamba, is a deposit of oxide mineralization estimated at 7,000,000 tons averaging 3% copper. Showings on the surface and in drill holes indicate additional oxide, as well as sulphide, copper mineralization.

Recently, Cerro has been negotiating with several mining companies headquartered outside the Western Hemisphere looking to the further exploration and possible development of one or more of these properties by a multinational joint venture in which Cerro-Peru would participate.

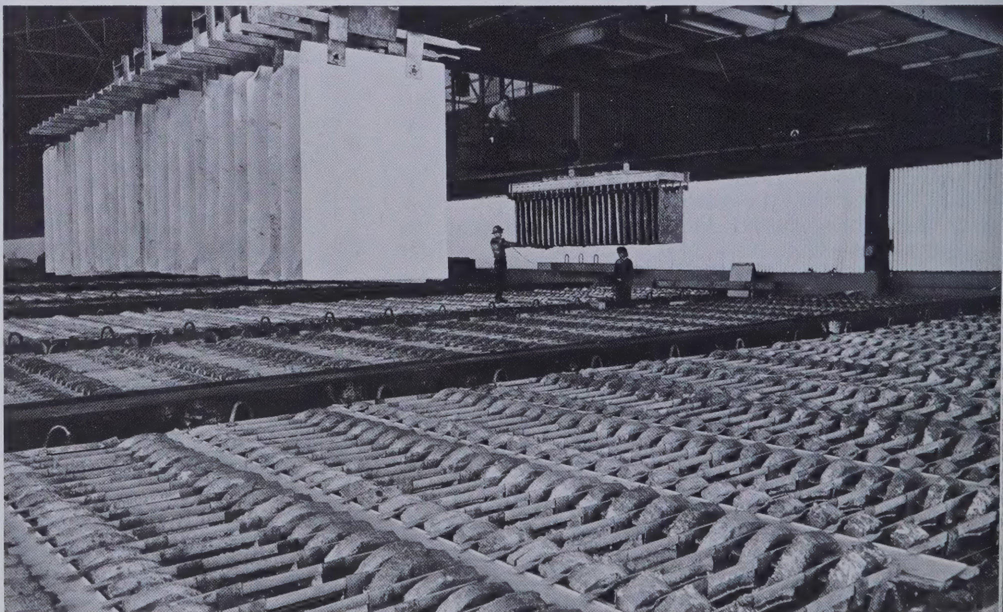
The Peruvian Government, acting pursuant to regulations under the new law, has called upon Cerro-Peru to submit revised calendars and has requested that a calendar be submitted for development for mining of the additional mineralization encountered at the Morococha mine, mentioned on page 4.

The Government's response to the calendars and the request concerning Morococha are under study.

Agrarian Reform Law As previously reported, the Peruvia Government, following procedures commenced in 1965 unde the Agrarian Reform Law, took over one of Cerro-Peru's hac endas in March 1968, and 18 others in January 1969. Thes properties, aggregating 615,000 acres, were unnecessary fc mining but served as grazing lands for livestock, principall sheep, to provide meat for sale to Cerro-Peru's workers.

During 1969, the Peruvian Government paid Cerro-Peru i cash a negotiated price of about $2 million for the livestoc which were to remain on the haciendas. Cerro-Peru was pe mitted to retain some sheep and cattle for slaughter over a 18-month period.

The Agrarian Reform Law provides for payment for the lan in 18-year, interest-bearing, tax-exempt Government bond and for the installations in cash, after the value has been fixe by appraisers and approved by a Court. Information has bee submitted to the appraisers, but final valuations have not ye been determined.

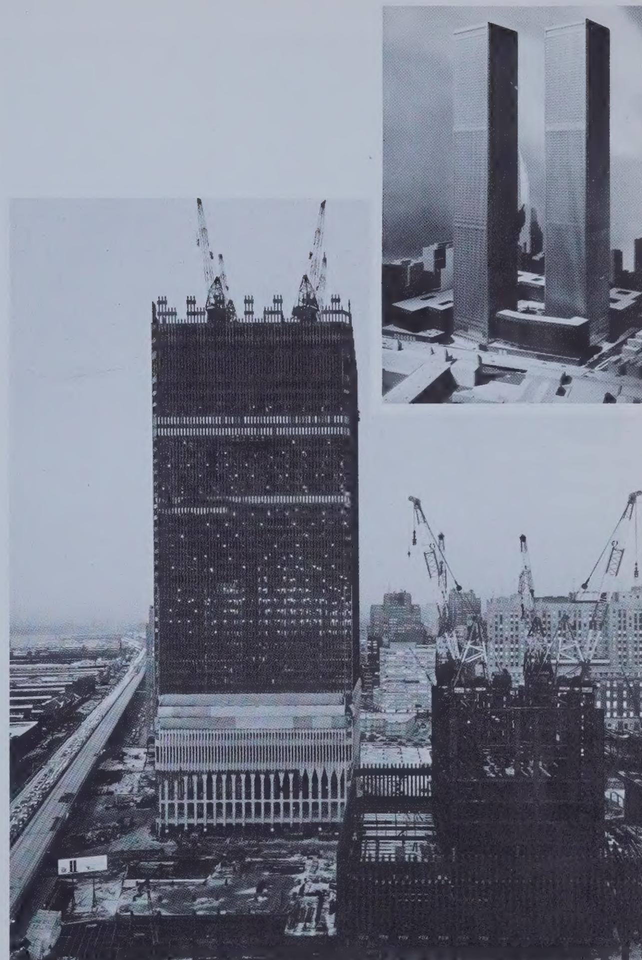


COPPER REFINERY—*Workmen lower starting sheets into Cerro's electrolytic copper refinery at La Oroya, Peru. In addition to processing copper produced from its own mines, Cerro purchases copper ores and concentrates from other miners for smelting and refining at La Oroya. Cerro also operates an electrolytic copper refinery at Sauget, Illinois, which treats secondary materials.*

Metal Sales and Markets

Higher selling prices for all nonferrous and precious metals, except silver, increased Cerro-Peru's revenues in 1969, despite a reduction in the physical volume of shipments from Peru.

Free World production of primary copper increased in 1969 over the prior year, but this was more than offset by increases in consumption, with the result that refined copper stocks at year-end were below the level at the start of the year. The United States producers' price, which on January 1 was 42¢ a pound, rose 2¢ a pound in each of the months of Ja uary, May and August, and 4¢ a pound in September 196 to reach a high of 52¢. So far in 1970, it has risen anoth 4¢ to 56¢, with one U.S. producer quoting 60¢. Meanwhile, t *Metals Week* export refinery price, which reflects the pri at which most refined copper producers have sold copp outside the United States in the reporting period, rose fro 51.2¢ a pound on January 2 to close 1969 at 73.3¢. The Lo don Metal Exchange ("L.M.E.") cash settlement quotatio



WORLD'S TALLEST BUILDINGS—*Cerro copper and brass water pipe and building wire are being used extensively in the twin, 110-story, towers of the World Trade Center now under construction in New York City. Copper and red brass pipe manufactured at Cerro Copper & Brass Company's St. Louis Works is being installed for the hot and cold water supply lines in these massive buildings. The Maspeth Plant of Cerro Wire & Cable Co. is manufacturing 44 million feet (over 8,000 miles) of copper and aluminum, 600-volt, building wire for the project. The Trade Center, being built for The Port of New York Authority, is to be completed in 1973.*

for copper wirebar varied between the equivalent of 54.3¢ and 79.8¢ a pound, reaching the high on December 8, 1969, and closing the year at 75.7¢ a pound.

Free World consumption of zinc in 1969 was somewhat less than production. Notwithstanding the slight imbalance, the price of Prime Western Grade zinc, f.o.b. East St. Louis, rose from 13.5¢ a pound at the beginning of 1969, by ½¢ in January, and another ½¢ in May, to 14.5¢. In September, it increased by a full 1¢ a pound to 15.5¢ a pound, its level as the year ended.

Although Free World production of lead in 1969 outpaced consumption, the market remained firm throughout the year. On January 1, 1969, refined lead was 13¢ a pound in New York. Seven ½¢ increases raised it to 16.5¢ a pound at year-end. The price strength resulted from dock strikes at United States ports and strikes affecting certain foreign lead producers which reduced the lead concentrates supply. Also, there were no releases from the U.S. Government lead stockpile during the last eight months of 1969. Prices rose on the London market, with quotations during the year ranging from the equivalent of 11.2¢ to 15.5¢ a pound.

Silver prices fluctuated widely in 1969. Beginning the year at $1.90 per troy ounce, as quoted in New York by Handy & Harman, the price rose to $2.00 by mid-January. Fears of reduced industrial consumption stemming from anti-inflationary measures taken by the U.S. Government, and high interest costs to speculators, induced selling which gradually lowered the price to $1.54 in June. A recovery to $2.00 an ounce occurred by November, but inventory reductions in Great Britain required by Bank of England regulations again sent the price downward to $1.72 by mid-December. Silver closed 1969 at $1.80 an ounce. World mine production of the metal was up slightly in 1969 but still fell far short of Free World consumption.

Bismuth, of which Cerro is the world's largest producer, held steady from mid-1965 through the end of August 1969. Increases in August and November raised the price from $4.00 to $5.25 and then to $6.00 a pound, where it remained through December 31.

Except for current softness in demand for zinc, demand for all nonferrous and precious metals marketed by Cerro remains firm. Buying of copper, lead and zinc in world markets by the People's Republic of China during 1969 was increased and its continuance into 1970 has contributed to price strength.

Manufacturing

Shipments from Cerro's two manufacturing divisions in the United States—Cerro Copper & Brass Company Division ("Cerrobrass") and Cerro Wire & Cable Co. Division ("Cerrowire")—hit record highs in 1969.

Shipments from the four Cerrobrass works, which have an annual productive capacity of 120,000 tons of fabricated copper and brass mill products, rose 20% over the prior year when strikes adversely affected production.

Cerrowire's four plants, capable of producing annually electrical wire and cable products and copper rod containing over 130,000 tons of copper, shipped 7% more last year than in 1968. Shipments in 1968 of specialty wire products had been reduced by a six-week strike at a Cerrowire plant.

Cerro Copper & Brass Company Division The Bellefonte (Pa.) Works of Cerrobrass increased production significantly, and stepped up sales to industrial customers of brass rod, forgings, brass pressure die castings and machined parts, more than offsetting a reduction in national defense-related sales. The Bellefonte facility in 1969 added to its product line fabricated silver wire, which has numerous applications in the electrical equipment and electronics industries.

Shipments of brass rod, wire and forgings from the Newark (Cal.) Works increased only slightly in 1969 but prospects are favorable for continued growth of the market it serves.

In 1969, the Cleveland Works regained its position in the markets for refrigeration and air-conditioning tube. This had been disturbed during an eleven-month strike of production employees at the Works which had extended until April 1968. The performance of the Cleveland Works in 1969 was aided by new equipment and a plant addition completed in 1968.

The electrolytic copper refinery at the St. Louis Works demonstrated improved efficiency and higher output in 1969. Completion of a new raw materials handling system, together with installation of an additional 200-ton-capacity tilting reverberatory furnace of advanced design and a new anode reverberatory furnace, contributed to the result. Air pollution reduction equipment was installed and stack emissions from all reverberatory furnaces were reduced to acceptable levels. Increased shipments from the St. Louis Works of copper and brass tube for industrial applications partly offset lower sales of plumbing tube and pipe.

On July 31, 1969, production of copper and brass strip at the Stamford (Conn.) Works was terminated. This facility, which in recent years accounted for less than 5% of Cerro's total shipments of fabricated copper products, would require sizable capital investment for modernization, and the expenditure could not be justified in the light of prevailing competitive conditions. The plant has been offered for sale.

Cerro Wire & Cable Co. Division Sales of rubber and plastic-insulated building wire, manufactured at Cerrowire's Maspeth (N.Y.) Plant, reached peak levels. Keeping pace with a modern trend, Cerrowire's capacity to produce extruded plastic-insulated wire and cable was increased 50% with installation last year of additional equipment to handle, mix and apply plastic compounds to electrical conductors. The Maspeth Plant in 1969 also increased production of aluminum-conductor cable. Electrical metallic tubing (or thi conduit) is produced at the Syosset (N.Y.) Plant. Sales item, which Cerrowire in 1969 produced for the first t 2½″ to 4″ diameters, also reached all-time records.

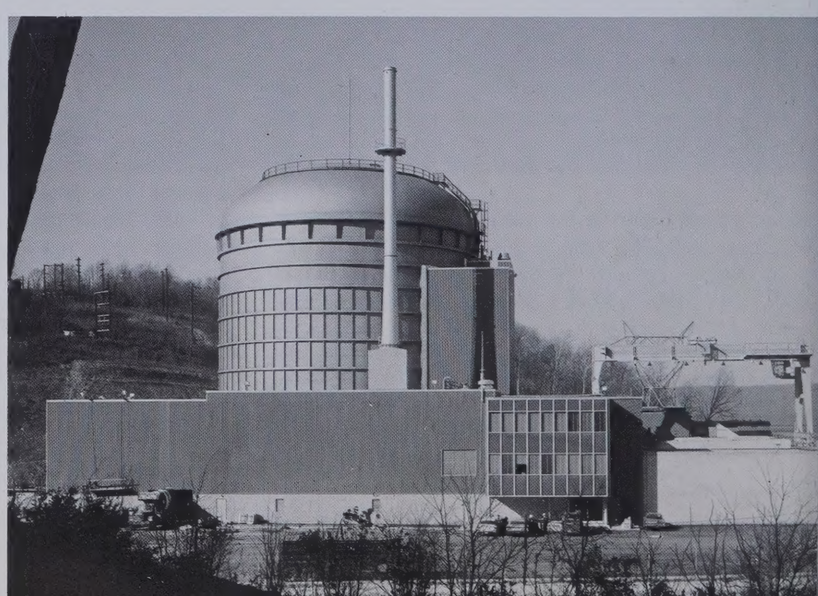
The New Haven (Conn.) Plant specializes in heat and resistant wire and cable products, many of which are neered to customer specifications. A new line of Py brand fire-resistant power and control cables was su fully marketed to electric utilities for use in power-gene stations. A second new product line developed in Gardex™ metal-sheathed power and control cables, is r finding applications in the petrochemical, industrial and markets.

The Apollo lunar landing project is making extensi of cable manufactured at the New Haven Plant. In th successful 1969 missions, coaxial cable linking the tele camera on the lunar surface with the lunar excursion m cables carrying video and audio signals between comm tions equipment inside the module and outside ant and cables feeding the rendezvous radar employed in ing the module with the command ship were of Cer manufacture.

Cerrowire's Old Saybrook (Conn.) Plant produces f printed circuits and flat flexible cable. Last year, Cer established a position as a supplier of these items rapidly growing market among manufacturers of com and electronic devices.

Labor Relations Cerro employs some 3,300 hourly rat ployees in the United States. Except for a strike at Cerr New Haven Plant from early January to mid-February t were no work stoppages in Cerro's manufacturing ope last year. In 1970, a collective bargaining agreement, c ing workers at the Newark Works of Cerrobrass, will on March 14. Negotiations for a new contract presen in progress.

NUCLEAR POWER PLANTS, *like the one shown here at Peach Bottom, Pennsylvania, are a major market for one of Cerro Wire & Cable Co.'s new products, Rockbestos Pyro-trol cable, first shipped in 1969. Approximately 2,000,000 feet of these fire-resistant power and control cables will be installed in Units 2 and 3 of the Peach Bottom Atomic Power Station being built by Philadelphia Electric Company. At the 1969 year end, five other utility companies had ordered significant quantities of Pyro-trol cable from Cerrowire's New Haven Plant for nuclear and fossil-fueled power facilities.*



Mineral Exploration

During 1969, the tempo of Cerro's mineral exploration efforts increased in the United States, Canada, Australia and Central America.

The large number of new exploration projects started in the United States resulted in the opening of regional exploration offices in Rolla, Missouri; Salt Lake City, Utah; and Tucson, Arizona.

During the past year, field operations were carried on in Texas, Arizona, New Mexico, Nevada and Wyoming in the West, as well as in Missouri, Tennessee and Kentucky. Several prospects provide sufficient promise to warrant further investigation in 1970.

Cerro's subsidiary, Cerro Mining Company of Canada Limited ("Cerro-Canada"), opened an additional office in Montreal, Quebec, supplementing those established in Toronto, Ontario; Winnipeg, Manitoba; and Vancouver, British Columbia.

In Newfoundland, in a joint venture to be managed by Cerro-Canada, an attempt will be made to determine the limits of a deposit which is estimated to contain, within the area previously drilled by others, at least 1,000,000 tons of 1.3% copper mineralization. A program in the Province of Quebec will explore 18,000 acres, located approximately ten miles northeast of Noranda, Quebec, and believed favorable for economic mineralization. Joint exploration ventures were arranged with Canadian companies respecting prospects in Ontario, Saskatchewan, British Columbia and the Northwest Territories.

Additional drilling by Cerro-Canada at Sourdough Bay, Lake Athapapuskow, near Flin Flon, Manitoba, from exploratory drifts, driven after sinking a 700-foot vertical shaft, has permitted an increase in the estimates of copper mineralization encountered in 1967. Preliminary estimates now indicate the deposit may contain some 1,500,000 tons of material containing 1.5% copper, of which about 1,000,000 tons should be minable. During 1970, Cerro-Canada plans to establish the quantity and grade of the ore reserve, develop a mining plan, and determine the economic feasibility of bringing the property into production. This project is being conducted as a joint venture with Guggenheim Exploration Company, Inc., under Cerro-Canada's management. Cerro-Canada also is conducting additional exploration in Manitoba for its own account.

During the past year, Ranchers Exploration and Development Corporation acquired all the assets of Big Mike Corporation in exchange for stock of Ranchers. Cerro owned a 53.3% equity interest in Big Mike, together with a 60% interest in a joint venture with that company, which held a deposit located near Winnemucca, Nevada, estimated to contain about 636,000 tons of 3.9% copper mineralization. In the transaction, Cerro received 23,170 shares of Ranchers, some of which were acquired as reimbursement of exploration expenditures. This holding represents 3.03% of Ranchers' outstanding stock. Cerro and Ranchers also entered into a joint venture for the further exploration and possible development of an area outside the limits of the mineralized zone.

CERRO EXPLORATION GEOLOGISTS *examine core samples as they are removed from a drill in a mineralized area in the Western U.S. The samples are examined at the site and later sent to a laboratory for more accurate evaluation. During the past year Cerro's domestic exploration staff assessed the potential of many properties, some of which were selected for further examination. Cerro's expanded exploration activities are being focused on the U.S., Canada and Australia with additional programs being pursued in other countries.*

In January 1970, Cerro entered into an agreement concerning the Zidani asbestos property in northern Greece held by the Hellenic Industrial Development Bank, a Greek Government agency. Based on work done by others, the existence at the Zidani property of between 40,000,000 and 50,000,000 tons of material carrying more than 4% asbestos fibre has been indicated. Cerro's agreement with the Bank provides for the formation of a new Greek company, to be 90% owned by Cerro and 10% owned by the Bank. The new company, during the current year, will conduct further exploration and development at Zidani and complete a market analysis and feasibility study. Should this investigation indicate that the Zidani asbestos deposit can be economically mined, the Bank will lend the new company up to 60% of the costs of bringing the property into production.

Exploration in Peru and Chile is being carried out by Cerro's subsidiaries in those countries.

Affiliated Companies

Southern Peru Copper Corporation [22¼% Owned]—Peru Southern Peru Copper Corporation owns the Toquepala, Cuajone and Quellaveco concessions located in close proximity in southern Peru. Only the Toquepala deposit, developed as a large open-pit copper mine, currently is in production. A mill at Toquepala feeds Southern Peru's smelter on the seacoast at Ilo. Production during the past three years is shown below.

Southern Peru's Production

	1969	1968	1967
Total Ore & Waste Mined, tons	64,301,000	68,819,000	64,970,000
Ore Treated, tons	13,206,000	14,392,000	13,555,000
Blister Copper Produced, tons	134,234	147,721	139,450
Molybdenum Concentrates, tons	325	1,572	1,855
Copper Content of Ore Milled	1.18%	1.21%	1.18%

A 42-day illegal strike interrupted 1969 operations at the mine and resulted in a shutdown of the smelter for 32 days during November and December.

Output of molybdenum concentrates from Southern Peru's mill at Toquepala in 1969 was below levels of previous years due to a marked change in the mineralogical characteristics of the ore milled.

Southern Peru paid dividends to Cerro of $13.9 million in 1969, as compared with $11.1 million in the prior year.

During the year Southern Peru's debt to the Export-Import Bank of the United States was reduced to $6,717,000.

The Cuajone Copper Mine Project The Cuajone deposit is estimated at more than 500,000,000 tons of ore containing slightly over 1% copper, minable—as in the case of Toquepala—by the open-pit method. On December 19, 1969, Southern Peru signed a contract with the Government of Peru providing for the development of the Cuajone ore body under Article 56 of the Mining Code and requirements of recent laws, previously discussed, respecting undeveloped mining properties.

Under the contract, earnings from the operation of the Cuajone facilities will be taxed at 47.5% during the period of recovery of the investment, and then for six years at 54.5%, the rate in effect on the date of the contract. The contract also provides that the Company can export and sell Cuajone production in world markets after the needs of local national consumption are met. The contract guarantees free disposal of foreign exchange from such sales in amounts required for recovery of invested capital, interest, and justified foreign services.

Project costs were estimated in mid-1969 at $355 million, not including the cost of the copper refinery mentioned below. Completion of the project in 6½ years as stated in the contract is contingent on Southern Peru's success in arranging opportunely the necessary financing. The contract provides for Peruvian Government support in obtaining this financing. When the contract was signed, Southern Peru had applied for a permit to construct at Ilo an electrolytic refinery with an initial capacity of 50,000 tons a year to treat a portion of Southern Peru's production. This application is still pending.

It is hoped that Peruvian mining policy will be formulated so as to facilitate the financing. Government take-over of the refining and marketing of copper produced by Southern Peru, a plan recently under study in Peru, would compound problems of arranging the necessary financing for the Cuajone project.

Under the contract, Southern Peru must spend or commit $25 million for the project by October 1, 1971 and must complete in each succeeding calendar year not less than 60% of the investment program scheduled for that year. Failure to maintain this program, in the absence of force majeure, could terminate the concession for the Cuajone mine.

In 1969, the permanent access road linking the Cuajone mine site with the Toquepala area was completed. Initial construction work for the development of the mine and access roads and engineering for the railroad tunnels are going forward. Capital expenditures by Southern Peru on the Cuajone mine project are estimated at $13 million in 1970.

ATLANTIC CEMENT COMPANY'S *unique ability to maintain a constant supply of cement from an on-site barge hastened completion of the new second span of the Delaware Memorial Bridge linking New Jersey and Delaware. Atlantic supplied 260,000 barrels of cement for the project, much of it directly from the 17,000-ton seagoing barge "Alexandra," one of three operated by the Company.*

Atlantic Cement Company, Inc. [50% Owned]—United States Benefiting from slightly higher selling prices for cement in 1969, Atlantic Cement Company, Inc., showed a modest improvement in operating results over 1968. In 1969, Atlantic shipped 8.2 million barrels of cement from its Ravena, New York, plant to the eastern seaboard market, served by its nine distribution terminals located from Boston southward to Ft. Lauderdale. Shipments in 1968 were 8.3 million barrels. In each of the years, Atlantic sold all of the cement it could produce.

In 1969, Atlantic substantially increased its profit on a cash basis over that of 1968 but had a book loss, after depreciation and depletion, of $2.1 million (including extraordinary charges aggregating $0.4 million), compared with a loss of $2.7 million in the prior year. Though improving, cement prices remained low and, combined with Atlantic's heavy interest on indebtedness, contributed to the 1969 loss.

Cerro and Newmont Mining Corporation, which each hold 50% of the capital stock of Atlantic, at the end of 1969 undertook to purchase from institutional lenders and banks an aggregate of $46.9 million of mortgage bonds and notes issued by Atlantic and its subsidiaries, and to forgive the indebtedness as a contribution to the capital of Atlantic. These purchases were completed early in January 1970. Atlantic will thus be relieved of interest charges, currently amounting to about $3.2 million annually. As a result, Atlantic is expected to show a book profit in 1970.

The purchases of debt securities by Cerro and Newmont were financed by borrowings by each of them of $21.6 million on substantially the same terms as the original loans to Atlantic. Interest rates on the new borrowings range between 5¾% and 6½%.

Cerro's total investment in Atlantic at December 31, 1969, including the aforementioned contribution to capital, amounted to $51.0 million.

Increases in cement prices for 1970 in Atlantic's market area have been announced and demand for cement is firm. However, a strike of tugboat crews, which began February 1, 1970, interrupted barge deliveries of cement from Ravena.

Compañía Minera Andina S.A. [70% Owned]—Chile The Rio Blanco copper mine of Compañía Minera Andina S.A. ("Andina"), presently under construction in Chile, is expected to begin operation about January 1, 1971. At December 31, 1969, the end of the third year of a four-year construction period, work was approximately 75% completed on the Rio Blanco project, for which $157 million has been budgeted. The cavern to house the underground mill had been excavated and equipment was being installed. The 3.35-mile mine-to-mill haulage tunnel had been driven, and the mine shaft, concentrate pipeline, the townsite and other related facilities were substantially on schedule.

The Rio Blanco ore body, which is only partially delimited, contains at least 120,000,000 tons of ore, averaging 1.58%

copper. Initial production from the mine will be at the rate of 135,000,000 pounds of copper annually, contained in concentrates. Japanese smelting companies which assisted in the financing have undertaken to purchase about two-thirds of the first 10 years' production.

Cerro, which owns 70%, and Corporación del Cobre, a Chilean Government agency, which owns 30%, of the capital stock of Andina, together with the Export-Import Bank of the United States and the Japanese companies, funded the venture.

By a Decree of Investment, issued by Chile's President in 1966 and amended in 1968, Andina is assured a 15% tax rate and a 30% withholding tax on interest and dividends distributed to Cerro. The Decree also assures currency convertibility, and provides certain other benefits over a 25-year franchise period.

Andina does not expect to be affected by the agreement reached in 1969 between the Government of Chile and a large, U.S.-owned copper mining company for purchase of the latter's two operating subsidiaries in Chile. The Government further agreed with the same company and a second large U.S.-owned copper producer on a greater share of earnings for the Government when copper prices exceed 40¢ a pound. Andina's Chilean counsel has advised that the Decree of Investment excludes Andina from the application of such a sharing arrangement.

A drought and increasing Government expenditures curtailed gains in the Chilean economy in 1969. However, the rate of inflation was held to the same order of magnitude of 1967 and 1968.

Savage River Mines [12.07% Owned]—Tasmania Savage River Mines is a joint venture of two corporations, one owned by a Japanese group and the other by a group of Australian and United States investors, including Cerro. Through stock ownership in the latter corporation, Cerro has a 12.07% interest in Savage River Mines. In the last quarter of 1969, the rate of production of high-grade iron ore pellets from Savage River exceeded design capacity (2,475,000 tons annually) as mechanical problems, experienced earlier in the year, were corrected. Output for a 20-year period from the Savage River project, completed in 1968 at a cost of $88 million, has been sold to a group of Japanese steel companies. The venture did not operate profitably in 1969.

Industrias de Cobre S.A. [76% Owned]—Peru Industrias de Cobre S.A. ("Indeco"), Cerro's subsidiary which produces bare wire, insulated copper building wire, magnet wire, power cable and telephone cable for the Peruvian market, increased its shipments of these items in 1969 over the prior year. However, selling prices declined and earnings in the year past were lower than in 1968. Indeco plans to expand its product line with the introduction in 1970 of equipment to manufacture ACSR (aluminum conductor, steel-reinforced) and insulated aluminum-conductor wire and cable.

Other Peruvian Affiliates Cerro holds varying interests in, and provides advisory services to, eight relatively small Peruvian companies, six of which are engaged in manufacturing and two in mining (listed on page 20). With two exceptions, these companies showed improved results in 1969 and combined earnings were slightly more than those in 1968.

Management Changes

Kenneth L. Maynard was appointed an Assistant Controller of the Corporation effective March 17, 1969.

Dr. Ernesto Alayza, formerly Legal Advisor to the President, Cerro-Peru, was appointed Vice President-Legal, Government and Public Relations, Cerro-Peru, and Manuel Llosa, formerly Manager, Industrial Division, Cerro-Peru, was appointed Vice President-Planning, Cerro-Peru, effective in each case on November 1, 1969.

Robert A. Nungesser, formerly General Manager, Cleveland Works, Cerrobrass, on July 1, 1969, was appointed a Vice President of Cerrobrass. He continues to manage the Cleveland Works.

Other management changes are reported in the President's Letter on page 3.

IRON ORE PELLETS *from the Savage River Mines Project in Australia are shipped to the Japanese steel industry at a rate of over 2,400,000 tons per year. The open pit mine and concentrating plant, along with a town for employees, are located in northwestern Tasmania. A slurry pipeline carries the iron ore 53 miles from the mine site to the pelletizing plant and shipping facilities at Port Latta. Cerro has a 12% interest in the project.*

Financial Review

The consolidated sales and earnings of Cerro Corporation and its subsidiaries for the years 1969 and 1968 are compared in the President's Letter, which also records the cash and stock dividends paid in those years and reports Cerro's equity in undistributed earnings of affiliated companies in 1969 and 1968.

The provision made by Cerro for income taxes in 1969 was $18.2 million, compared with $27.6 million in 1968. Several factors contributed to this difference. Profits from mining operations, proportionately larger in 1969, are taxed at a lower effective tax rate, because of the percentage depletion allowance, than are other operations, and the Southern Peru dividends, which were higher in 1969 than in 1968, are subject to a relatively low rate of U.S. income tax. Also, certain expenses for which no tax benefits were obtained were substantially higher in 1968 than in 1969.

Cerro made capital expenditures and investments last year of $43.4 million, some $10.6 million more than in 1968. In 1970, capital expenditures and investments are expected to amount to $39.0 million.

Consolidated long-term debt increased to $62.0 million at December 31, 1969, from $40.6 million at the prior year-end. The rise reflects additional outstanding debt of $2 million under a revolving credit agreement and the sale of $21.6 million principal amount of notes at interest rates varying from 5¾% to 6½% to an institutional investor and certain banks as part of a refinancing, previously mentioned, of Atlantic Cement Company, Inc., in which Cerro has a 50% interest.

At the year end, consolidated working capital amounted to $140.9 million, compared with $116.4 million at December 31, 1968. Cash generated from operation of the business in 1969 was $54.8 million, as compared with $46.5 million in 1968.

Commencing January 1, 1970, basic income tax rates in Peru applicable to corporations, including branches of foreign corporations, were increased. The new rates are on a sliding scale and, with the addition of the complementary tax applicable to foreign branches, the highest tax bracket is 68.5%. Had the new rates been applicable in 1969, the tax rate applicable to Cerro de Pasco Corporation would have been 62.6%, rather than 54.5%.

Cerro Corporation and Subsidiaries

Source and Disposition of Working Capital

	1969	1968
Source of working capital:		
Net income	$41,005,000	$32,389,000
Depreciation, depletion and amortization of property	13,766,000	14,120,000
Increase in long-term borrowings	21,410,000	24,292,000
Appropriations for future pensions and severance in Peru	242,000	3,628,000
Deferred income taxes and other items	6,952,000	5,221,000
	83,375,000	79,650,000
Disposition of working capital:		
Capital expenditures and investments	43,420,000	32,799,000
Liquidation of production payment	—	25,339,000
Cash dividends paid	12,249,000	11,579,000
Increase in other assets	3,228,000	5,503,000
	58,897,000	75,220,000
Increase in working capital	$24,478,000	$ 4,430,000

Consolidated Statements of Income and Earned Surplus and Capital Surplus

For the Years Ended December 31, 1969 and 1968

Statement of Income and Earned Surplus

	1969	1968
Sales	$477,234,000	$418,975,000
Dividends, interest and miscellaneous, net	22,647,000	13,414,000
	499,881,000	432,389,000
Cost of sales	396,036,000	331,463,000
General, administrative and selling expenses	24,210,000	22,260,000
Interest on long-term debt	3,003,000	1,963,000
Exploration, research and product development	3,661,000	2,566,000
Depreciation, depletion and amortization	13,766,000	14,120,000
United States and Peru income taxes (deferred 1969, $12,672,000; 1968, $3,293,000)	18,200,000	27,628,000
	458,876,000	400,000,000
Net income	41,005,000	32,389,000
Earned surplus at beginning of year	103,839,000	97,869,000
	144,844,000	130,258,000
Cash dividends $1.60 per share in each year	12,249,000	11,579,000
Transferred to capital stock and capital surplus for 5% stock dividend	11,856,000	14,840,000
	24,105,000	26,419,000
EARNED SURPLUS AT END OF YEAR	$120,739,000	$103,839,000
NET INCOME—PER SHARE OF COMMON STOCK	$5.04	$4.01

Based on average number of shares outstanding during each year, adjusted for stock dividends, including the 5% stock dividend declared on December 2, 1969, for distribution on March 12, 1970 to stockholders of record on January 12, 1970 (1969, 8,134,011 shares; 1968, 8,079,162 shares).

Statement of Capital Surplus

	1969	1968
Balance at beginning of year	$151,826,000	$132,032,000
Excess of fair value over par value of Common Stock issued as a stock dividend (1969, 377,863 shares; 1968, 357,583 shares)	10,596,000	13,648,000
Excess of conversion price over par value of 270,980 shares of Common Stock issued upon conversion of Subordinated Debentures	—	5,429,000
Excess of cash received over par value of Common Stock issued under stock option plans (1969, 27,105 shares; 1968, 32,982 shares)	494,000	717,000
BALANCE AT END OF YEAR	$162,916,000	$151,826,000

See Notes to Financial Statements.

Consolidated Balance Sheets

December 31, 1969 and 1968

Assets	**1969**	**1968**
Current Assets		
Cash	$ 9,021,000	$ 9,315,000
Marketable securities, at cost (approximates market)	29,014,000	65,134,000
Accounts receivable, less allowances	70,062,000	41,395,000
Inventories, at lower of cost or market	113,727,000	107,967,000
Deferred income taxes	2,353,000	10,916,000
Total current assets	224,177,000	234,727,000
Investments, at cost	95,659,000	69,503,000
Fixed Assets, less allowances for depletion, depreciation and amortization	211,780,000	210,429,000
Other Assets, less allowances	17,319,000	14,091,000
	$548,935,000	$528,750,000
Liabilities and Stockholders' Equity		
Current Liabilities		
Current portion of long-term debt	$ 2,286,000	$ 231,000
Accounts payable	52,008,000	23,133,000
Accrued expenses, principally taxes	28,970,000	34,602,000
Production payments	—	60,326,000
Total current liabilities	83,264,000	118,292,000
Long-Term Debt	61,987,000	40,577,000
Other Liabilities		
Severance indemnities under Peruvian law	14,936,000	13,985,000
Pensions under Peruvian law	17,964,000	18,673,000
Sundry	1,390,000	1,279,000
Total other liabilities	34,290,000	33,937,000
Deferred Income Taxes	12,026,000	7,917,000
Stockholders' Equity		
Common Stock, par value $3.33⅓ per share; authorized 15,000,000 shares; issued 1969, 7,944,561 shares; 1968, 7,539,593 shares	26,482,000	25,131,000
Reappraisal surplus	52,959,000	52,959,000
Capital surplus	162,916,000	151,826,000
Earned surplus	120,739,000	103,839,000
	363,096,000	333,755,000
Less, Common Stock held in treasury, at cost, 1969, 186,338 shares; 1968, 177,465 shares	5,728,000	5,728,000
Total stockholders' equity	357,368,000	328,027,000
	$548,935,000	$528,750,000

See Notes to Financial Statements.

Notes to Financial Statements

Fixed Assets
At December 31, 1969

	Assets	Allowances for Depletion, Depreciation and Amortization	Net
Peru:			
Mining properties	$ 96,336,000*	$ 37,350,000	$ 58,986,000
Structures, machinery and equipment	199,450,000	107,649,000	91,801,000
Railroads, land, farms, etc.	18,597,000	11,526,000	7,071,000
Construction in progress	4,225,000	—	4,225,000
	318,608,000	156,525,000	162,083,000
United States:			
Land and buildings	25,539,000	8,338,000	17,201,000
Machinery and equipment	58,207,000	30,652,000	27,555,000
Furniture, fixtures, vehicles, etc.	5,383,000†	1,517,000	3,866,000†
Construction in progress	1,075,000	—	1,075,000
	90,204,000	40,507,000	49,697,000
Totals at December 31, 1969	$408,812,000	$197,032,000	$211,780,000
Totals at December 31, 1968	$395,045,000	$184,616,000	$210,429,000

** Includes reappraisal at January 1, 1951, amounting to $43,700,000.*
† Includes intangible assets not being amortized of $3,267,000.

Depreciation of mining, smelting and refining property in Peru is generally determined on the basis of the shorter of physical life or economic life as indicated by the related mining unit, the economic life being adjusted from time to time as conditions warrant. Depletion is computed on units of production.

Depreciation of manufacturing property, plant and equipment is determined on the basis of estimated service lives, computed in 1968 on the straight-line, sum-of-the-years-digits or declining-balance methods as considered appropriate in the circumstances and in 1969 only on the straight-line or sum-of-the-years-digits methods. The effect of this change was to reduce the provision for depreciation in 1969 by approximately $1,100,000 and to increase net income by a like amount.

Inventories	**1969**	**1968**
Refined metals	$ 19,211,000	$ 21,466,000
In process, ores and concentrates	25,636,000	24,857,000
Manufacturing finished goods, work in process and raw materials	43,423,000	40,038,000
Materials and supplies	25,457,000	21,606,000
	$113,727,000	$107,967,000
Investments		
Southern Peru Copper Corporation	$ 13,375,000	$ 13,375,000
Atlantic Cement Company, Inc.	51,028,000	24,875,000
Compañía Minera Andina S.A.	23,305,000	23,277,000
Texas International Petroleum Corporation	3,000,000	3,000,000
Peruvian affiliates	2,908,000	2,974,000
Northwest Iron Co. Ltd. (Savage River Mine Joint Venture)	1,433,000	1,283,000
Other	610,000	719,000
	$ 95,659,000	$ 69,503,000

In 1969 and 1968, the Corporation received dividends from Southern Peru Copper Corporation ("Southern Peru") in the amounts of $13,927,000 and $11,141,000, respectively, which are included in the statement of income under the caption "Dividends, interest and miscellaneous, net." At December 31, 1969, the Corporation's equity in the book value of the net assets of Southern Peru exceeded its investment by approximately $30,884,000.

At December 31, 1969, the Corporation's investment in Atlantic Cement Company, Inc. ("Atlantic") exceeded its equity in the book value of Atlantic's net assets by approximately $15,442,000. For the years 1969 and 1968, the Corporation's share of net losses reported by Atlantic amounted to $1,025,000 and $1,358,000, respectively. Although Atlantic has experienced operating losses to date, it is the opinion of the Corporation's management that there is no permanent impairment in the value of the investment in Atlantic.

In 1969, the Corporation and Newmont Mining Corporation (which owns the other 50% interest in Atlantic) borrowed funds, the proceeds of which were utilized to purchase from the holders certain debt securities issued by Atlantic and its subsidiaries. These obligations were then cancelled and forgiven by

the Corporation and Newmont as contributions to Atlantic's capital. As a result of advances of working capital in accordance with terms of financing agreements since terminated and the aforementioned capital contribution, the Corporation's investment in Atlantic increased by $26,153,000. See note on Long-Term Debt for further details.

Production of copper concentrates at the Rio Blanco Mine of Compañía Minera Andina S.A. ("Andina") in Chile (owned 70% by the Corporation and 30% by the Corporacíon del Cobre, an agency of the Chilean government) is scheduled to begin early in 1971. At December 31, 1969, the Corporation had furnished $23,000,000 of the total of $50,000,000, which it may be required to contribute to the estimated $157,000,000 cost of such project pursuant to the agreements under which the project was refinanced in 1969. The Corporation's investment in Andina includes interest-bearing subordinated advances of $18,000,000. Interest income recorded in 1969 on such advances amounted to $2,030,000, including $820,000 relating to 1968; the latter amount was not recorded in 1968 pending completion of the refinancing mentioned above. Payment of the interest to Cerro is dependent upon adequate cash flow (as defined) from operation of the mine. After providing for the 30% Chilean withholding tax on interest, net income for 1969 includes $1,421,000 relating to the above interest accrual.

The Corporation's interest in the Savage River Mine Joint Venture is held through its stockholdings in Northwest Iron Co. Ltd. ("Northwest"). The owners of Northwest have agreed to advance sufficient funds to maintain its working capital at specified amounts until certain of its outstanding indebtedness has been repaid; such repayment is scheduled for 1983. The Corporation advanced $150,000 to Northwest in 1969 in accordance with this agreement and expects to advance additional sums in 1970.

Long-Term Debt

	Interest Rate	*Due*	**1969**	**1968**
Promissory notes to institutions	6⅜ %	1973-1987	$30,000,000	$30,000,000
Promissory note to institution	6%	1970-1981	18,000,000	—
Promissory notes to banks	Prime	1972-1975	12,000,000	10,000,000
Promissory notes of Peruvian subsidiary	8-9%	1970-1973	620,000	808,000
Other promissory notes	5¾-6½ %	1970-1978	3,653,000	—
			64,273,000	40,808,000
Less, current portion of long-term debt			2,286,000	231,000
			$61,987,000	$40,577,000

The 6⅜% notes to institutional lenders are payable in annual installments of $2,000,000 beginning in 1973. The related note agreements impose certain restrictions, based on income and working capital, on the payment of cash dividends and the reacquisition of the Corporation's capital stock. At December 31, 1969, approximately $50,500,000 of earned surplus was free of such restrictions.

The 6% notes to an institution were issued in connection with the recapitalization of Atlantic, discussed in the note on investments. These notes are payable in annual installments of $1,500,000 beginning in 1970. Although the recapitalization of Atlantic was not completed until early 1970 with regard to the other notes of $3,653,000, these obligations were recorded on the Corporation's books as of December 31, 1969. Additional information on Atlantic is contained in this report under the caption "Atlantic Cement Company, Inc." on page 11.

Under the terms of a revolving credit agreement entered into with certain banks in 1968, the Corporation may borrow up to $30,000,000 at the prime interest rate as it may exist from time to time. At May 31, 1971, any outstanding borrowings may, at the Corporation's option, be repaid in full on that date or in seven substantially equal semiannual installments commencing on May 31, 1972, with interest at ¼% above the prime rate. The loans may be prepaid at any time without penalty. A commitment fee of ¼% is payable on the unused balance.

In September and October, 1968, the Corporation obtained commitments for a 5-year revolving short-term credit of $30,000,000 from holders of dollar balances abroad which, it is planned, will be refunded by longer-term borrowings from holders of similar dollar balances. A commitment fee of ½% is payable on the unused balance.

Pensions

In the United States, the Corporation has several noncontributory pension plans covering substantially all of its employees. Pension expense was $1,759,000 for 1969 and $1,435,000 for 1968, which includes, as to certain of the plans, amortization of prior service costs over periods not exceeding 30 years. The Corporation's policy is to fund pension costs accrued. The actuarially computed value of vested benefits for certain plans as of December 31, 1969 exceeded the respective pension funds by approximately $6,493,000.

Under Peruvian law, as amended, effective November 29, 1968, pensions are required to be paid to salaried employees hired on or before July 11, 1962 who retired prior to November 29, 1968. Cerro de Pasco Corporation is liable for the pension payments and, through 1968, charged income with the estimated amount necessary to provide, over the remaining service lives of covered employees, for future pensions to such employees who became pensioners subsequent to January 1, 1951; beginning in 1969, income is charged for the estimated interest equivalent on the unfunded pension liability. These provisions, together with payments to pensioners retired prior to January 1, 1951, which are charged to income currently, amounted to $1,026,000 in 1969 and $3,541,000 in 1968.

Effective November 29, 1968, other salaried employees in Peru are covered by a Government-sponsored pension program; under certain conditions the company may be obligated to pay supplementary pensions to these employees. This program is financed by payroll taxes which amounted to $241,000 and $16,000 for 1969 and 1968, respectively.

In 1969, a noncontributory, unfunded pension plan was adopted for certain employees working for Cerro de Pasco Corporation in Peru. Beginning with the year 1970, charges will be made to income currently to provide a reserve out of which such pensions will be paid. The first provision is estimated by actuaries to be $270,000. Provisions for future years will be made pursuant to actuarial computations.

Litigation

On January 5, 1970, the United States District Court for the Eastern District of Pennsylvania approved an agreement by the Corporation to pay $2,715,000 in full settlement of all claims arising out of ten pending antitrust treble damage actions to which reference has been made in previous annual reports. On said date a final judgment dismissing the actions was entered. Since the claims did not relate to current transactions but were for alleged overcharges made by the Corporation on sales of brass mill tube and pipe during the years 1956-1962, the amount of the settlement, less any related tax benefits, will be charged to earned surplus in 1970 as a prior period adjustment.

Stock Dividend

On December 2, 1969, the Corporation declared a 5% stock dividend pursuant to which 397,228 shares of Common Stock will be issued on March 12, 1970, and $10,527,000 will be charged to earned surplus in 1970. Except for earnings per share data, no effect has been given to this stock dividend in the accompanying financial statements and notes.

Preferred Stock

The Corporation's authorized Preferred Stock of 250,000 shares, par value $100 per share, is unissued.

Stock Options

Under stock option plans approved by the stockholders, provision has been made for restricted or qualified stock options for officers and key employees. Under the plans, options have been granted to purchase shares of the Corporation's Common Stock at 100% of fair market value on the date of grant, and such options are exercisable usually for periods ranging from five years (1964 plan) to ten years, subject to certain restrictions as to the portion thereof which may be purchased in any year, continuity of employment, etc. The number of shares issuable under outstanding options at December 31, 1968 and 1969 and the changes during the year are indicated below:

	Shares of Common Stock
Options outstanding at December 31, 1968	79,813
Options granted during 1969	18,400
Adjustment resulting from stock dividend	3,106
	101,319
Options exercised (at prices from $13.25 to $33.80 per share)	27,105
Options expired, not subject to regrant	1,047
Options terminated, subject to regrant	14,484
Options outstanding at December 31, 1969 (at prices from $13.25 to $34.86 per share) ..	58,683

The shares available for future options at the beginning and end of 1969 were 6,077 and 2,463, respectively.

Other

For a discussion of the provisions for income taxes as between 1969 and 1968, see comments under "Financial Review" on page 13 of this report.

Auditors' Report

LYBRAND, ROSS BROS. & MONTGOMERY • CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of Cerro Corporation, New York, New York

We have examined the consolidated balance sheet of CERRO CORPORATION AND SUBSIDIARIES as of December 31, 1969 and the related consolidated statements of income and earned surplus and of capital surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the consolidated financial statements of the Corporation and subsidiaries for the year ended December 31, 1968.

In our opinion, the aforementioned financial statements present fairly the consolidated financial position of Cerro Corporation and Subsidiaries at December 31, 1969 and 1968 and the consolidated results of their operations for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Lybrand, Ross Bros. & Montgomery

New York, February 27, 1970

Ten-Year Financial Summary

	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960
Income Statistics In Thousands of Dollars										
Sales and other income	499,881	432,389	404,019	396,522	332,898	311,059	241,493	212,530	194,380	170,070
Depreciation, depletion and amortization	13,766	14,120	11,115	9,644	8,176	8,775	8,834	8,982	8,178	7,552
U.S. and Peru income taxes	18,200	27,628	23,711	27,486	20,425	19,540	8,020	3,400	3,350	5,730
Net income	41,005	32,389	33,445	44,078	28,818	26,002	12,685	5,534	4,939	9,383
Equity in undistributed earnings of affiliated companies[1]	920	359	(2,868)	2,846	5,277	3,393	4,301	3,627	5,233	3,972
Per Share:										
Net income[2]	$5.04	$4.01	$4.35	$5.88	$3.98	$3.61	$1.76	$ .77	$ .76	$1.58
Dividends—Cash[3]	$1.52	$1.45	$1.38	$1.32	$1.25	$ .91	$ .58	$ .55	$ .52	$ .45
Dividends—Stock	5%	5%	5%	5%	—	5%	—	6%	6%	5%
Balance Sheet Statistics In Thousands of Dollars										
Working capital	140,913	116,435	112,006	88,019	79,958	92,966	88,451	82,784	76,501	79,467
Cash and marketable securities	38,035	74,449	59,463	16,173	23,061	43,534	26,907	29,739	25,535	31,750
Investments	95,659	69,503	58,275	51,002	43,937	35,694	38,410	37,450	32,675	26,166
Fixed assets, net	211,780	210,429	203,532	173,116	143,023	126,275	129,338	131,299	131,012	119,244
Total assets	548,935	528,750	469,827	380,079	320,726	320,038	288,907	278,841	278,681	249,411
Long-term debt	61,987	40,577	22,653	16,660	21,242	31,940	51,274	54,299	49,634	46,804
Stockholders' equity	357,368	328,027	300,058	274,757	229,093	207,863	191,463	185,728	183,543	169,373
Capital expenditures and investments (in thousands of dollars)	43,420	32,799	49,323	46,696	33,621	17,416	9,081	14,890	21,511	15,356
Shares outstanding, year-end (in thousands)[4]	7,758	7,362	6,709	6,283	5,651	5,660	5,367	5,367	5,064	3,969
Number of employees	20,400	20,700	20,395	20,380	19,000	18,820	17,675	17,705	18,482	17,675

[1] Not included in "Net income."

[2] Per share of Common Stock based on average number of shares outstanding during each year, adjusted for stock dividends and stock split, including the 5% stock dividend declared on December 2, 1969, for distribution on March 12, 1970, to stockholders of record on January 12, 1970.

[3] Adjusted for stock dividends and stock split as described in Note 2, above.

[4] Common Stock, par value $3.33⅓ per share.

Divisions, Subsidiaries and Affiliated Companies

Divisions and Subsidiaries

IN PERU

Cerro de Pasco Corporation

METAL MINES, Casapalca, Cerro de Pasco, Cobriza, Morococha, San Cristóbal, Yauricocha

CONCENTRATING MILLS, Casapalca, Cerro de Pasco, Cobriza, Mahr, Morococha, Yauricocha

SMELTERS, La Oroya—Copper, Lead

REFINERIES, La Oroya—Copper, Lead, Zinc, Silver-Gold, Bismuth

COMPANION METAL and CHEMICAL PLANTS, La Oroya—Antimony, Cadmium, Selenium, Tellurium, Copper Sulfate, Zinc Sulfate

SERVICE FACILITIES, Integrated hydroelectric power system, coal mine, mine-to-smelter railways, coke and oxygen plants, employee-worker facilities (housing, hospitals, schools and stores)

Compañía Industrial del Centro, S.A.

WIRE BAR CASTING PLANT, La Oroya

COPPER ROD ROLLING MILL, La Oroya

SULFURIC ACID PLANT, La Oroya

Industrias de Cobre, S.A. (76% Owned)

WIRE and CABLE MILL, Lima

Cerro de Pasco Petroleum Corporation

GAS and OIL PROPERTIES, Eastern Peru

IN CHILE

Compañía Minera Andina S.A. (70% Owned)

RIO BLANCO COPPER MINE PROJECT, near Santiago, Chile *(under construction)*

IN THE UNITED STATES

Cerro Copper & Brass Company Division

COPPER SMELTER (Secondary) and ELECTROLYTIC REFINERY, St. Louis Works, Sauget, Ill.

ROD MILLS, Bellefonte Works, Bellefonte, Pa.; California Works, Newark, Calif.

TUBE MILLS, St. Louis Works, Sauget, Ill.; Cleveland Works, Cleveland, O.

Cerro Wire & Cable Co. Division

WIRE and CABLE MILLS, Maspeth, N.Y.; New Haven and Old Saybrook, Conn.

COPPER ROD, STEEL STRIP and ELECTRICAL METALLIC TUBING MILLS, Syosset, N.Y.

Cerro Sales Corporation

METAL and CONCENTRATE SALES, New York, N.Y.

Cerro Mineral Exploration Company Division

EXPLORATION OFFICES, New York, N.Y.; Salt Lake City, Utah; Rolla, Mo.; Tucson, Ariz.

IN CANADA

Cerro Mining Company of Canada Limited

MINERAL EXPLORATION, Toronto, Ont. (Headquarters); Montreal, Que.; Winnipeg and Flin Flon, Man.; Vancouver, B.C.

IN EUROPE

Cerro International S.A.

METAL and CONCENTRATE SALES, Brussels, Belgium

Affiliated Companies

	Cerro's Ownership
IN THE UNITED STATES	
Atlantic Cement Company, Inc.	50.00%
CEMENT MILL, Ravena, N.Y.	
CEMENT PRIMARY DISTRIBUTION PLANTS, Boston, Mass.; Middletown, Conn.; Bayonne, N.J.; Baltimore, Md.; Norfolk, Va.; Charlotte, N.C.; Savannah, Ga.; Jacksonville, Fla.; Fort Lauderdale, Fla.	
IN AUSTRALIA	
Savage River Mine Joint Venture	12.07%
IRON ORE MINE and PELLETIZING PLANT, Tasmania	
IN PERU	
Southern Peru Copper Corporation	22.25%
MINE and MILL, Toquepala; SMELTER, Ilo, Peru	

Peruvian Affiliates	Cerro's Ownership
COMPAÑIA DE MINAS BUENAVENTURA, S.A. — Metal Mining and Milling	33.59%
COMPAÑIA MINERA RAURA, S.A. — Metal Mining and Milling	60.00%
EXPLOSIVOS, S.A., Explosives	32.45%
COMPAÑIA PERUANA DE ELECTRODOS OERLIKON, S.A. — Welding Rods	†
METALURGICA PERUANA, S.A., Steel Castings	28.54%
REFRACTARIOS PERUANOS, S.A., Refractory Brick	42.00%
FUNDICION DE METALES BERA DEL PERU, S.A. — Lead Alloys	50.00%
METALES INDUSTRIALES DEL PERU, S.A. — Extruded Products	49.00%

†Wholly owned subsidiary of Explosivos, S.A.

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Executive Vice President, First National City Bank, New York

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Counselor-at-Law, Lima, Peru

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President and Chief Executive Officer

RICHARD H. LEWIN
Vice President—Manufacturing & Sales

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Consultant and Member, Trust Committee, Chemical Bank, New York

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Corporate Advisor

C. GORDON MURPHY
Executive Vice President

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President, The Commonwealth Fund of New York

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Vice Chairman of the Board

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Geological and Mining Consultant

T. F. WALKOWICZ
Associate, Rockefeller Family and Associates

General Counsel

ALEXANDER & GREEN
120 Broadway, New York, N.Y. 10005

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2 Broadway, New York, N.Y. 10004

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1 Wall Street, New York, N.Y. 10015

Registrar of Stock

BANKERS TRUST COMPANY
16 Wall Street, New York, N.Y. 10015

Corporate Officers

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Chairman of the Board

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President and Chief Executive Officer

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Vice Chairman of the Board

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Executive Vice President

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MICHAEL D. DAVID
Vice President—Administration

H. WILLIS HIGGS
Vice President—Mining Operations

ALLEN B. HOLLETT
Vice President—Exploration & Mine Development

ROBERT BENNETT
Vice President—Finance and Treasurer

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Controller

GEORGE H. CAIN
Secretary

HARRY E. FERDINAND
Assistant Controller

S. ROY FRENCH, JR.
Assistant Secretary

KENNETH L. MAYNARD
Assistant Controller

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HARRY M. ALLEN
Vice President and Manager of Operations, Cerro de Pasco Corporation

JOAQUIN FIGUEROA
General Manager, Compañía Minera Andina S.A.

IVOR THOMPSON
Executive Vice President, Cerro Sales Corporation

JEAN GOLDSCHMIDT
Managing Director, Cerro International S.A.

MILTON S. COHN
President, Cerro Wire & Cable Co. Division

FRANK HIGHAM
President, Cerro Copper & Brass Company Division

CARLOS ROGGERO
Managing Director, Industrias de Cobre, S.A. (Indeco)

MICHAEL A. KURYLA
Vice President, Cerro de Pasco Petroleum Corporation

ALFRED D. WANDKE
Vice President, Cerro Mining Company of Canada Limited

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